COMMON SENSE INSTITUTE ARIZONA

MAY 2024

DOES YOUR COMMUNITY HAVE ENOUGH HOMES?

THE HOUSING CRISIS AND HOW IT IMPACTS YOUR BACKYARD

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TABLE OF CONTENTS

ABOUT THE AUTHOR

Glenn Farley is CSI Arizona's Director of Policy & Research. Glenn has helped CSI provide accurate, timely, and insightful public information on issues ranging from tax and regulatory policy, to Arizona's changing K-12 landscape since the pandemic.

Prior to joining CSI in 2022, Glenn ended his 8 years in the Office of the Arizona Governor as Gov. Doug Ducey's Chief Economist and a policy advisor. In that role, he advised on issues of tax, fiscal, and regulatory policy, and was one of the Governor's lead architects of his two major tax reforms – the 2018 tax overhaul that established the State's first remote sellers sales tax and dedicated the proceeds to a major simplification and overhaul of the individual income tax, followed by the 2021 income tax omnibus which phased in a 2.50% flat tax (the lowest in the country). Mr. Farley has also led the budget team that produced the Executive revenue forecasts and caseload spending numbers that have helped ensure the longest run of conservative, structurally balanced budgets in State history.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Arizona's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Arizonans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Arizonans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

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CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Arizonans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

INTRODUCTION

In numerous recurring reports, CSI Arizona has highlighted the state's ongoing struggle with the rapid increase in housing costs since the pandemic. One of our central tools for monitoring the issue has been the housing surplus/shortfall measure. Predictably, the state's housing shortfall by our measure spiked in 2020, when a combination of pandemic-era policies squeezed both ends of the market:

- Housing demand surged due to in-migration, low interest rates, and people spending a lot more time at home.
- Housing supply growth collapsed due to supply chain and construction issues induced by the business disruptions from mitigation efforts.

Since then, conditions have improved somewhat thanks to a combination of falling demand (high prices and interest rates are pushing buyers out) and rising supply (Arizona today is building housing at its fastest pace in over a decade). But after falling slightly last year, home prices in Arizona are flat or rising again and prices remain at historic highs.

Given that high interest rates have largely paralyzed the resale market, it is more important than ever that new development fill the state's housing needs – especially at the lower- and middle-ends of the market traditionally filled by resale properties. But regulatory compliance is a significant source of added cost for new housing, and a constraint on the pace of construction. Through permitting, zoning, and other requirements, local governments in Arizona play a substantial policy role here.

To shed light on this issue and track Arizona's regional progress in maintaining a healthy housing market, CSI has developed a "report card" that scores its fifteen county geographic areas (and the state as a whole) across four subject areas. We present our inaugural findings here. While this is a living product subject to continuous methodological improvement, one of its goals is to be a consistent and regular published product to provide ongoing insight.

KEY FINDINGS

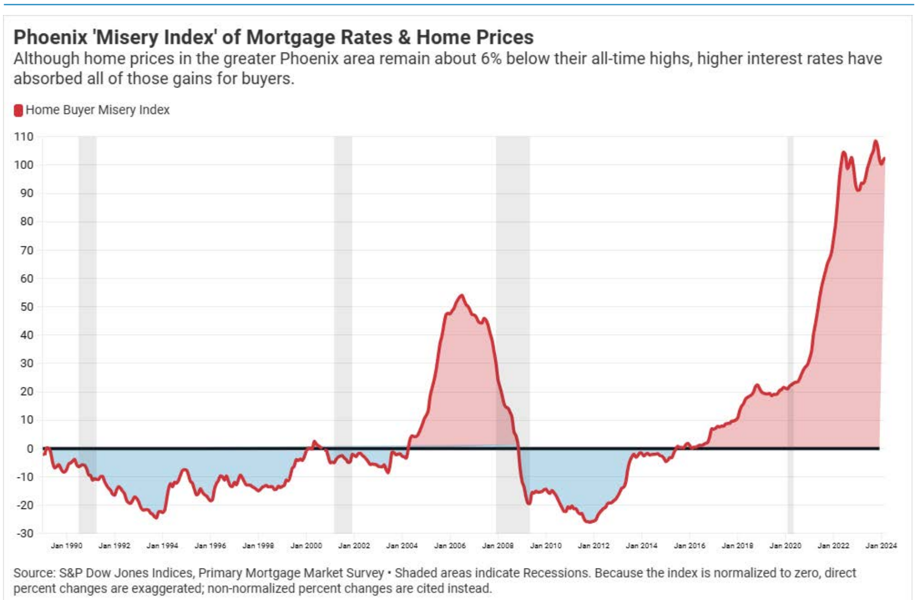
- Overall, Arizona's housing market earns a "C+" in the May 2024 edition of its Housing Report Card. Under this grading scale, a "B" is roughly average. Compared to historic and national norms, the state struggles with high costs and a relatively large imbalance between supply and demand.
- Since 2010, home prices in Arizona have increased 163%, and a third of that cumulative increase (56%) has occurred just since 2020. Today it would cost a median household nearly a quarter (25%) of its income to afford the median market rent. For context, average U.S. home prices have risen 106% since 2010 and the long-run national rent-to-income ratio is approximately 20%.
- Maricopa County has become a relatively expensive place to live. Higher-than-average consumer price inflation, rent increases, and some of the fastest home price increases in the country mean it may no longer be true that it is relatively cheaper to live in Arizona (and especially the greater Phoenix area) than the average American city.
- Given the criticality of building housing – quickly and affordably – to resolve these ongoing issues, this Report Card places particular importance on local permitting relative to the housing supply and expected population growth. Arizona is on track to issue more than 66,000 permits in 2024, earning it a "B" under this measure. But jurisdictions within three counties may not be issuing enough permits to keep pace with population growth, let alone resolve their current issues. And the state's second largest county – Pima – is barely issuing enough permits to keep pace with potential growth, earning it a "D".

ARIZONA'S HOUSING MARKET IS PARALYZED & PERILOUS

Rapid asset and consumer price inflation since 2020 has been devastating for American consumers. Housing prices rose especially fast following the pandemic, and the price increases were particularly large in Arizona and the Maricopa County urban core. Between January 2020 and their local peak in mid-2022, home prices in the Phoenix metro area rose more than 71%[i] - the largest pace among major metro regions in the United States, and nearly double the rate of increase for the country overall[ii].

CSI has been studying this market for two years, and during that research observed an intriguing trend. There was clearly excess demand for housing in Arizona caused by a combination of rapid in-migration, individuals spending more time at home, and massive liquidity injections by U.S policymakers during the pandemic period. When supply could not keep pace, prices increased rapidly. As we anticipated, rapid interest rate increases beginning in 2022 have cooled that demand. But unexpectedly, they've also staved off supply. In hindsight this makes sense – in a country where two-thirds of households own their homes, most homebuyers are also home sellers. Reluctance to pay off existing mortgage loans (over 60% of which have locked-in rates below 4%, according to the Calculated Risk blog and based on Federal Housing Finance Agency data[iii]) and take out new market-rate loans (at about a 7% rate as of the end of April) has starved both sides of the market (demand and supply). The result for the Arizona homebuyer has been a market paralyzed

FIGURE 1



by a combination of stubbornly high prices and very little inventory. High interest rates have driven up costs but not commensurately reduced prices (prices are down about 6% from their all-time peak, while average interest rates are up about 23% over the same period).

Given the persistence of inflation generally[iv], interest rate relief is probably not coming soon. If price relief is going to come at all, it must come from new supply from newly-built homes taking some of the weight off of existing homeowners and the resale market. For this to work, developers and builders must be able to bring homes to market more quickly, and at lower price points than they are used to. And we see evidence that they are trying – today, the supply of new homes for sale in the U.S is up 60% (even as overall housing inventory has fallen by a third); we estimate roughly half of all homes on the market are newly-built, versus about 20% pre-pandemic. And the median price of a new home is down 15% from its all-time peak.

Still, it is increasingly clear that supply constraints in the form of local building codes, permitting restrictions, and zoning limitations both slow the pace of construction and increase the cost of new homes[v]. Sold as efficiency-improving, Federal regulators are (at the worst possible time) moving forward with new standards for some new residential construction that could add $31,000 to the cost of the home according to the Home Builders Association[vi]. Under the laudable goal of preserving groundwater supplies, Arizona's Department of Water announced last year a moratorium on homebuilding – and only homebuilding – in some parts of Maricopa County unless it could secure another water source[vii].

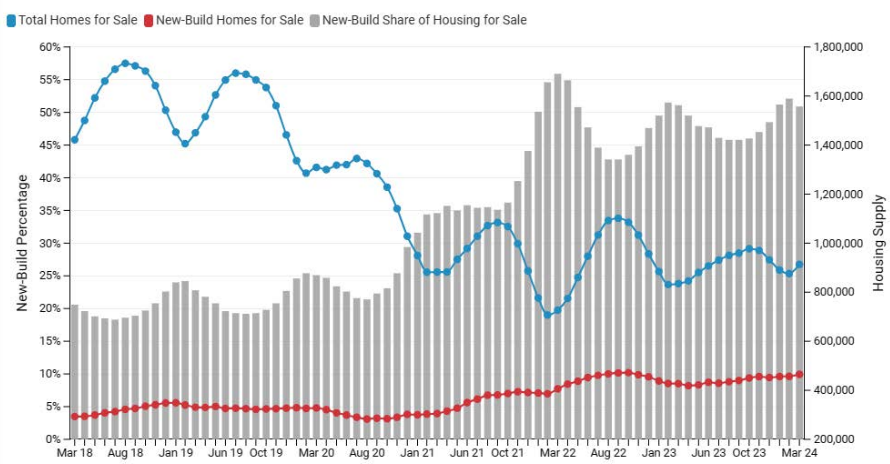
In a prior study, CSI Arizona has documented the myriad ways rules like these limit new construction, and steps state and local policymakers could take to relax their impact and expedite construction. Among other things this study proposed that the State government adopt an objective and consistent rubric it could use to evaluate the efficiency with which local planners and regulators permit new housing development, and then assign them letter grades based on that performance.

In the absence of that policy change to-date, CSI Arizona has developed its own grading system, based on the limited data available to it on the accessibility and affordability of the state's various housing markets. We roll this out here and intend to update it regularly going forward.

FIGURE 2

The Changing Contribution of New & Existing Units to the Housing Supply

Since 2020, the total number of homes for sale in the U.S. has declined by a third - but the supply of newly-built homes for sale has increased by more than 60%.



Source: Zillow, U.S. Census Bureau • Zillow provides estimates for the total number of housing units for sale in the United States through 2018; at that time, based on the number of new homes for sale reported by the Census Bureau, 20% of all supply was new construction.

GRADING ARIZONA'S HOUSING SUPPLY & HOMEBUILDING MARKETS

The methodology developed by CSI Arizona relies largely on national statistical data collected by various Federal agencies. It enabled us to develop a consistent and objective approach (and corresponding letter grade) for Arizona's fifteen counties and statewide conditions. However, a word of caution: while the letter grades apply to the counties and the state, they should not be interpreted as scores of the County or State governments, themselves.

In Arizona, local governments have significant discretion over what is (and isn't) built within their jurisdictions. For most places with any significant number of homes, the City or Town is that regulating government. While County Government has some role outside the urban areas, the State Government of Arizona has largely deferred the regulation of home building to other entities (except for certain things, like the licensing of contractors or environmental issues).

To be truly informative, a grading system should be available at the level of cities, towns, and other permitting/zoning jurisdictions. Unfortunately, currently the data simply doesn't exist to do this. While the Census has begun reporting some data at a more granular local level (so-called Core Based Statistical Areas, or CBSA's), it is too soon and the data too unreliable in our opinion to try and grade Arizona's seven CBSA's. Instead, we present illustrative data about their conditions as an appendix to the county-based data; in general, we suggest the letter grade for a county be interpreted geographically and as applying mostly to its cities and towns (instead of to the County Government).

To assess performance, CSI measures local performance across four subject areas – cumulative price increases since 2020, rent-to-income ratios, the number of people-per-housing unit, and the pace of home permitting relative to its housing needs – relative to national and long-run norms. A weighted average of these four units produces the area's final overall grade. Because this index is intended primarily to assess how permissive to development a region is, we double weight the final component.

Arizona's 2024 Q1 Performance

Through the first quarter of 2024, Arizona's overall weighted grade for homebuilding performance and housing affordability was a C+ (2.4 GPA). Across Arizona's fifteen counties, one – Greenlee County – earned a perfect "A" grade across all four subject areas measured. The state's largest and fastest growing county – Maricopa – earned a "B-" grade (2.6 GPA). Its second largest (Pima County) earned an overall "C" (2.2 GPA) but performed particularly badly on its measure of permitting- and home-building relative to supply needs (earning a "D" on this measure).

Coconino County – home to Flagstaff and parts of Sedona – earned the lowest overall score among all regions (a "D" grade and 1.4 GPA).

FIGURE 3

Arizona's Housing Report Card (2024 Q1)

Overall, Arizona's local housing markets earn a C+ grade for affordability and developer accessibility (relative to long-run and national norms). Under this grading scale, a "B" is roughly average.

County	Cumulative Price Increases	Rent-to-Income Ratio	People-per-Housing Unit	Permitting-to-Shortfall Ratio	Overall Letter Grade (Q1 2024)
Maricopa County	2.0	2.0	2.0	3.0	B-
Pima County	3.0	3.0	3.0	1.0	C
Pinal County	3.0	1.0	2.0	4.0	B
Yavapai County	1.0	3.0	4.0	0.0	C-
Mohave County	1.0	1.0	4.0	2.0	C
Yuma County	3.0	3.0	4.0	0.0	C
Coconino County	0.0	1.0	4.0	0.0	D
Cochise County	4.0	3.0	4.0	4.0	A-
Navajo County	0.0	2.0	4.0	2.0	C
Apache County	3.0	2.0	3.0	3.0	B
Gila County	0.0	3.0	4.0	4.0	B
Santa Cruz County	1.0	2.0	1.0	3.0	C
Graham County	3.0	4.0	0.0	4.0	B
La Paz County	3.0	3.0	4.0	4.0	A-
Greenlee County	4.0	4.0	4.0	4.0	A
Arizona (Statewide)	**2.0**	**2.0**	**3.0**	**2.5**	**C+**

Source: New Residential Construction Reporting, Zillow Data, American Community Survey • Data limitations require us to assign scores based on countywide geographic areas. The letter grades should be read as generally applying to major cities and towns within each county, and not the Counties themselves.

Cumulative Price Increase

Each county area and the state overall are graded on the cumulative increase in its housing prices since 2000, relative to the U.S. average cumulative price increase and its variation among the states and D.C. Cumulative home price increases are measured using the Zillow Home Value Index. For context, average home prices in the United States have increased 191% since 2000, and approximately two-thirds of states had a cumulative price increase of between 134% and 248%.

If an area's home prices have increased by 134% or less since 2000, it was assigned an "A" grade under this subject area. If the price increase was between 210% and 304%, it received a "C" grade; a cumulative increase between 304% and 361% earned a "D" grade; and an increase any higher earns an "F". If an area had cumulative price increases roughly in line with the U.S. average it earns a "B" grade.

The region with the lowest cumulative price increase since 2000 was Greenlee County (+63.6%) – which is also the state's smallest and third-slowest growing county. The region with the largest price increase was Gila County (+332.7%). Average home prices in Maricopa County have increased 226.1% since 2000.

FIGURE 4

Cumulative Price Increases in Arizona

Since 2000, home prices in Arizona have increased 219% - versus 191% for the U.S. as a whole.

County	Average Home Price (2024)	Increase Since 2000	GPA	Rank
United States	$354,179	190.9%		
Maricopa County	$471,597	226.1%	2.0	9
Pima County	$347,457	186.4%	3.0	8
Pinal County	$380,028	173.6%	3.0	7
Yavapai County	$505,217	264.3%	1.0	11
Mohave County	$356,413	250.8%	1.0	10
Yuma County	$273,554	145.5%	3.0	4
Coconino County	$625,699	304.9%	0.0	13
Cochise County	$249,784	94.5%	4.0	2
Navajo County	$382,113	310.3%	0.0	14
Apache County	$289,713	140.8%	3.0	3
Gila County	$378,248	332.7%	0.0	15
Santa Cruz County	$266,443	270.3%	1.0	12
Graham County	$265,173	173.1%	3.0	6
La Paz County	$289,341	166.5%	3.0	5
Greenlee County	$155,012	63.6%	4.0	1
Arizona (Statewide)	**$430,827**	**218.9%**	**2.0**	

Source: Zillow Data

Rent-to-Income Ratio

Each county area and the state overall are assessed a score for rent-to-income ratios (given median residential rents and median household incomes for all U.S. households in 2022), relative to the long-run U.S. average rent-to-income ratio and its variation among the states and D.C. Both median rental rates and median household incomes are estimated by the American Community Survey. For context, between 2010 and 2022 the U.S. rent-to-income ratio has averaged 0.203 (alternatively, median rental costs are approximately 20% of median household income over time). Approximately two-thirds of U.S. states had ratios between 17.3% and 23.4%.

If an area's rent-to-income ratio is 17.3% or less, it was assigned an "A" grade under this subject area. If the ratio was between 21.3% and 23.4%, it received a "C" grade; a ratio between 23.4% and 26.5% earned a "D" grade; and a larger ratio earned an "F". If an area had a ratio roughly in line with the U.S. 12-year average it earns a "B" grade.

FIGURE 5

Rent-to-Income Ratios in Arizona

Since 2000, home prices in Arizona have increased 219% - versus 191% for the U.S. as a whole.

County	Median Rent (2022)	Median Household Income (2022)	Rent-to-Income Ratio	GPA	Rank
United States	$1,300	$74,755	20.87%		
Maricopa County	$1,618	$83,747	23.18%	2.0	12
Pima County	$1,135	$64,014	21.28%	3.0	8
Pinal County	$1,583	$76,377	24.87%	1.0	15
Yavapai County	$1,030	$63,936	21.88%	3.0	10
Mohave County	$884	$54,786	23.41%	1.0	13
Yuma County	$903	$53,994	19.89%	3.0	5
Coconino County	$1,302	$62,622	24.60%	1.0	14
Cochise County	$841	$55,031	20.06%	3.0	6
Navajo County	$924	$49,487	22.41%	2.0	11
Apache County	$565	$37,663	21.79%	2.0	9
Gila County	$966	$55,242	20.98%	3.0	7
Santa Cruz County	$741	$51,885	17.14%	2.0	3
Graham County	$856	$64,089	16.03%	4.0	2
La Paz County	$691	$46,634	21.17%	3.0	4
Greenlee County	$532	$73,756	8.66%	4.0	1
Arizona (Statewide)	**$1,172**	**$74,568**	**23.33%**	**2.0**	

Source: Zillow Data

The region with the lowest rent-to-income ratio was Greenlee County (8.7%) – which is also the state's smallest and third-slowest growing county. The region with the largest price increase was Coconino County (24.6%). In Maricopa County, the ratio was 23.8% in 2022.

This measure deliberately uses overall median household income for all households, including those in renter- and owner-occupied housing. In general, across the country, renter-occupied households have lower income than owner-occupied. This makes sense in context: while rental housing is a substitute for owner-occupied housing, generally, younger and lower-income households are more likely to choose it (for a variety of reasons). Nonetheless, housing is fungible, and these are substitute goods. When the cost to buy housing goes up relative to the cost to rent, we would expect the share of rental households to rise (and vice versa). But the goal of this report card is to capture overall housing accessibility for the entire population, and the contribution of supply constraints to that burden; from that perspective, it is when the cost of rental housing for the population as a whole rises (relative to longer-term U.S. norms) that the overall market becomes more constrained.

Nonetheless, one consequence of this approach is it can understate the degree of the affordability problems for existing households that rent in Arizona. For context, a household is considered "cost burdened" when more than 30% of its income goes to housing costs (rent and utilities, for renter-occupied units).[viii]

According to the most recent ACS data, the median Arizona renter was spending over 33% of their income on rent alone – meaning more than half of Arizona renters are "cost burdened". The problem here is worse than in the United States (where the 2022 ratio was 31.7%), and the ratio is highest in the state's largest and/or fastest growing counties – Pinal (33.29%), Pima (33.21%), and Maricopa (32.17%).

People-Per-Housing Unit

To roughly assess how large the housing supply (both owner- and renter-occupied) of a graded region is, each county area and the state overall are assigned a score based on the ratio of count population to its total number of housing units, relative to the 12-year U.S. average and its variation among the states and D.C. Population and total housing units are both estimated by the U.S. Census. For context, on average over the last 12 years there were 2.4 people per housing unit in the United States, and approximately two-thirds of states had between 2.2 and 2.5 people per housing unit.

If an area had fewer than 2.19 people per housing unit in 2022, it was assigned an "A" grade under this subject area. If it had between 2.41 and 2.52 people per unit, it received a "C" grade; between 2.52 and 2.69 earned a "D" grade; and any more earned an "F". If an area had a population per housing unit roughly in line with the U.S. average it earns a "B" grade. While this approach is naïve with respect to the characteristics of the geography (e.g., a region's housing needs vary in the average age, family size, etc. of its population), it nonetheless provides some insight into whether housing development has kept pace with population growth.

The region with the lowest ratio of population to housing units was La Paz County (1.21). The county with the highest ratio in 2022 was Graham County (2.75). In Maricopa County, there were 2.43 people for every housing unit in 2022; in 2010 the ratio was 2.33.

FIGURE 6

Population-Per-Housing Unit in Arizona

Because Arizona is a relatively young state with an abundance of land, it does relatively well in terms of number of housing units relative to population (compared to most U.S. states). High-growth Maricopa and Pinal counties lag.

County	Population	Housing Units	People-per-Unit (2022)	GPA	Rank
United States	333,271,411	143,786,655	2.32		
Maricopa County	4,555,833	1,877,620	2.43	2.0	12
Pima County	1,057,476	479,652	2.20	3.0	10
Pinal County	465,037	179,303	2.50	2.0	13
Yavapai County	246,320	123,618	1.95	4.0	5
Mohave County	223,682	120,843	1.83	4.0	3
Yuma County	208,874	95,464	2.19	4.0	9
Coconino County	144,223	70,556	2.04	4.0	6
Cochise County	125,487	59,767	2.10	4.0	7
Navajo County	108,800	57,481	1.89	4.0	4
Apache County	65,533	29,035	2.26	3.0	11
Gila County	53,922	32,765	1.65	4.0	2
Santa Cruz County	48,680	19,174	2.54	1.0	14
Graham County	38,822	14,130	2.75	0.0	15
La Paz County	16,535	13,719	1.21	4.0	1
Greenlee County	9,327	4,438	2.10	4.0	8
Arizona (Statewide)	**7,431,344**	**3,186,612**	**2.31**	**3.0**	

Source: U.S. Census Bureau

Permitting-to-Shortfall Ratio

Ultimately, our goal with this report card is to provide some insight into how permissive (or restrictive) a given geography within Arizona is to housing (both owner- and renter-occupied) development. While data limitations require this analysis be at the county-level, ultimately and typically, responsibility for approving and regulating new housing development rests with Arizona's cities and towns. Beyond just prices (which incorporate various factors outside the control of the local housing market, like regulatory costs and supply-chain issues), the market provides another signal of local supply and demand imbalance: vacancy rates. Exploiting the thesis that vacancy rates above or below long-run regional averages tell us whether an area has excess or insufficient supply (relative to demand and at current prices), we can estimate housing shortfalls across Arizona. Combined with the pace of permitting and expected population growth, we can further estimate how quickly local policymakers are allowing developers to close that gap.

FIGURE 7

Housing Shortfall & Permitting Speed in Arizona

Arizona's housing shortfall - but also its new homebuilding - are concentrated in its larger and high-growth counties. Pinal and Maricopa Counties stand out for their permitting volumes.

County	Housing Shortfall (2024)	Expected Permits (2024)	Years-to-Close the Deficit	GPA	Rank
Maricopa County	(49,541)	44,479	6.20	3.0	9
Pima County	(3,322)	5,558	12.37	1.0	12
Pinal County	(2,765)	8,636	1.08	4.0	3
Yavapai County	(2,857)	1,707	Never	0.0	15
Mohave County	(2,545)	2,347	9.48	2.0	11
Yuma County	(2,075)	1,326	Never	0.0	15
Coconino County	(498)	244	Never	0.0	15
Cochise County	(717)	504	2.62	4.0	5
Navajo County	(1,447)	492	8.19	2.0	10
Apache County	(649)	91	3.82	3.0	8
Gila County	(343)	198	2.85	4.0	6
Santa Cruz County	(227)	285	3.74	3.0	7
Graham County	(61)	165	1.94	4.0	4
La Paz County	14	79	*n/a*	4.0	2
Greenlee County	11	79	*n/a*	4.0	1
Arizona (Statewide)	**(66,240)**	**66,124**	**6.24**	**3.0**	

Source: U.S. Census Bureau • Note that the shortfall and permitting data are available for county geographies, but generally city governments are the legal jurisdictions regulating and approving most permits. A regions grade is a function of its deficit, the number of permits being issues, and expected population growth. The scoring structure was deliberately designed to reward a high-pace of realtime permit issuances.

Combining our estimates of the shortfall and pace of permitting within each region, each county area and the state overall are assigned a grade based on how quickly they are on track to resolve their current housing shortfall, relative to long-run norms within Arizona and the Western region of the United States. Population and vacancy rates are provided by the U.S. Census and permitting volumes by the Department of Housing and Urban Development; population growth projections are simple averages of past growth. For context, on average over the past 40 years, the effective vacancy rate across both rental and owner-occupied housing in the Western Region of the United States was 4.99%; the current effective vacancy rate in Arizona is approximately 2.95% (suggesting a supply-constrained market).

To assign letter grades for this subject area, we evaluate the pace of permitting relative to this estimated supply constraint. The more permits being issued, the faster a region will resolve its deficit. If an area is on track to resolve its deficit within 3.69 years, it was assigned an "A" grade under this subject area. If it was on track to resolve it between 6.25 and 12.24 years, it received a "C" grade; longer than 12.24 years earn a D grade; and any region issuing insufficient permits to ever resolve its shortfall given expected growth earns an "F". Because of the centrality of this subject area to our overall goal with this project, the housing deficit and permitting speed subject area is double-weighted in our final scores.

Greenlee and La Paz counties – Arizona's smallest regions by population and among its slowest-growing – had projected housing surpluses under this methodology. Three county areas – Coconino, Yavapai, and Yuma counties – are on pace to issue too few units to keep pace with population growth and therefore may never resolve their housing supply issues. Maricopa County has a housing shortfall of approximately 50,000 units under this methodology but is on pace to issue over 44,000 permits this year alone; it is expected to resolve its supply shortfall in about six years, given the pace of permitting and projected population growth.

THE BOTTOM LINE

The inaugural release of Arizona's local housing market report card highlights two important policy facts:

- Arizona's housing supply has not kept pace with demand, leading to rapid and widespread price increases – housing in Arizona today is more expensive than in the U.S., and the problem is correlated with other measures of supply growth.
- There is wide disparity in how permissive different parts of the state are to new housing development, even accounting for the existing supply and historic population growth. As of March, three Arizona counties may be on track to issue too few building permits to keep pace with growth – let alone resolve any existing supply issues.

Housing development is subject to significant regulation at all levels of government, but particularly at the local level via zoning, permitting, and other development restrictions. Given the importance of new development to resolve the state's current issues with cost, local policymakers should carefully balance the value of these restrictions against their costs.

APPENDIX A

As we have noted, the data on housing market conditions at the city-and-town level is limited. Recently, the U.S. Census has begun reporting more data at the local level (under the so-called CBSA standard), but after careful review we have determined it is insufficient to try and issue letter grades. This is unfortunate because local governments – especially cities and towns – have significant control over the short-term pace of housing development.

To help illuminate this issue, a full accounting of permit issuances by all jurisdictions within a county region – in 2023 and in 2024 YTD – and that jurisdiction's share of countywide population is available on our website.

SOURCES

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